

Message Text

CONFIDENTIAL

PAGE 01 QUITO 00275 131316Z
ACTION ARA-10

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OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /097 W
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R 131230Z JAN 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 2846
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 0275

E.O. 11652: GDS
TAGS: BDIS, ENRG, EC
SUBJECT: ADA CASE

1. SUMMARY: FINANCE MINISTER HAS ASKED THAT ADA PREPARE A POSITION PAPER AS A FIRST STEP IN REOPENING NEGOTIATIONS BETWEEN THE GOE AND ADA. HE IS HOPEFUL THAT PRECEDENT OF GULF CASE MAY ALLOW THE GOE TO COMPENSATE ADA DIRECTLY. END SUMMARY.

2. THE AMBASSADOR HAS DISCUSSED THE ADA CASE ON SEVERAL OCCASIONS WITH THE NEW FINANCE MINISTER, SANTIAGO SEVILLA. THE MINISTER HAS TOLD THE AMBASSADOR THAT HE CONSIDERS THE ADA CASE TO BE NOT ONLY A BILATERAL PROBLEM BUT ALSO A WELL-PUBLICIZED BLACK MARK ON ECUADOR'S REPUTATION AMONG FOREIGN INVESTORS GENERALLY, AND HE THEREFORE WISHES TO SETTLE THE ADA CASE AS QUICKLY AS POSSIBLE.

3. IN SEVILLA'S OPINION, THE TIME IS NOW RIPE FOR A SETTLEMENT OF THE ADA CASE, SINCE THE GOE IS VERY PLEASED THAT HANDLING OF THE GULF CASE HAS NOT PROVOKED ANY SIGNIFICANT LEFTIST CRITICISM TO DATE. SEVILLA IS NOT OPTIMISTIC ABOUT THE POSSIBLE INVOLVEMENT OF OKC IN DEVELOPMENT OF THE GULF
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 QUITO 00275 131316Z

OF GUAYAQUIL, AND BELIEVES IT WOULD BE PREFERABLE FOR THE GOE TO SETTLE WITH ADA DIRECTLY RATHER THAN THROUGH NORTHWEST OR OKC.

4. IN MOST RECENT CONVERSATION ON THIS TOPIC, JANUARY 11, AMBASSADOR SUGGESTED THAT ADA PRINCIPALS BE ASKED TO VISIT QUITO TO PRESENT THEIR CASE TO THE MINISTER AND REOPEN

DISCUSSIONS. SEVILLA DEMURRED, CLAIMING THAT THE "LEFT" MIGHT GET WIND OF SUCH A MEETING BEFORE HE COULD LAY THE GROUNDWORK FOR A SETTLEMENT WITHIN THE GOE.

5. SEVILLA TOLD AMBASSADOR THAT HE HAS ALREADY DISCUSSED THE ADA CASE WITH NORTHWEST LOCAL ATTORNEY SALAZAR AND WITH FORMER ECUADOREAN AMBASSADOR TO THE U.S. JOSE CARDENAS. HE SAID CARDENAS HAS OPINED THAT ADA WOULD SETTLE FOR SOMETHING BETWEEN \$6 MILLION AND \$26 MILLION. SEVILLA SAID HE ALSO PLANS TO APPROACH ADA ATTORNEY JIMENEZ REGARDING THE STATUS OF ADA'S CLAIM.

6. SEVILLA CONTINUED THAT HE HAD ALSO ASKED VARIOUS GOE OFFICIALS ABOUT THE STATUS OF ADA'S CLAIM AND THE POTENTIAL INVOLVEMENT OF OKC. HE DISCOVERED THAT THE OFFICIALS CONTACTED WERE UNAWARE OF THE SPECIFICS OF ADA'S CLAIM. FOR THIS REASON, SEVILLA SAID, IT WOULD BE WELL FOR THE AMBASSADOR TO ENCOURAGE ADA TO PREPARE A "WHITE PAPER" SETTING OUT THE BACKGROUND AND DETAILS OF ITS CLAIM WHICH COULD THEN BE DISTRIBUTED TO APPROPRIATE GOE OFFICIALS.

7. ACTION REQUESTED: EMBASSY REQUESTS THAT COUNTRY OFFICER CONTACT LASSITER AND ASK HIM TO PRODUCE SUCH A "WHITE PAPER" TO BE GIVEN TO SEVILLA. WE KNOW THAT ADA HAS ALREADY PREPARED SUCH A REPORT FOR CARDENAS, BUT WE BELIEVE A NEW UP-DATED VERSION SHOULD BE PREPARED FOR SEVILLA. WE ALSO RECOMMEND THAT ADA ATTACH COPIES OF THE TWO AUDITS OF THE ADA INVESTMENT IN THE GULF OF GUAYAQUIL.

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 QUITO 00275 131316Z

8. COMMENT: GIVEN SEVILLA'S PRAISEWORTHY PERFORMANCE IN THE GULF CASE, WE SEE SOME CHANCE THAT HE MAY BE ABLE TO REOPEN NEGOTIATIONS BETWEEN ADA AND THE GOE AND ATTAIN A FAVORABLE OUTCOME. THE DEPARTMENT SHOULD NOT, HOWEVER, BECOME OVERLY OPTIMISTIC ABOUT A RAPID SETTLEMENT OF THE ADA CASE. THE REASON IT HAS BEEN PENDING SO LONG DERIVES FROM THE CLOUDY CIRCUMSTANCES UNDER WHICH ADA OBTAINED ITS CONCESSION AND CONSEQUENT FEAR IN THE GOE OF THE POLITICAL BACKLASH FROM AN ATTEMPTED SETTLEMENT.
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